



YOUR ENERGY CONNECTION

Power Agencies? ElectriCities? Why is the City of Rocky Mount A Member of These Groups?

What are Power Agencies?

North Carolina has two municipal Power Agencies, North Carolina Municipal Power Agency Number 1 (NCMPA1) and North Carolina Eastern Municipal Power Agency (NCEMPA).

In the eastern part of the state, 32 cities and towns are members of NCEMPA. The agency owns interest in five generating units built and operated by CP&L. These facilities include three nuclear units, Brunswick Units 1 and 2 in Brunswick County and Shearon Harris Nuclear Plant in Wake County, and two coal-fired plants, Mayo Plant and Roxboro Unit 4 in Person County.

Both agencies purchase supplemental power above their ownership allotment as they need it in the wholesale market generally from the investor-owned utilities and federally owned hydro-electric systems.

Why were the Power Agencies formed?

In the late 1970s and early 80s, the electric utilities and state legislators became concerned that there would not be enough electricity to meet the state's future needs. The state's two Investor Owned Utilities (IOU)...Carolina Power & Light (CP & L) and Duke Power had plans to build more plants, but high interest rates and rising fuel costs put the companies in a financial bind. They were concerned they did not have the capital to complete the projects. In its October 1981 inaugural edition, Business North Carolina's cover story focused on this issue and quoted CP&L's Sherwood Smith as saying, "Utilities are facing their greatest crisis" in more than 25 years. The article, predicting a possible electricity shortage in the state by 1990, stated that construction of new generating plants had come to a near standstill because the state's IOUs did not have enough money to build the generating plants, this at a time when rates had increased 300 - 400%.

The cities, which then purchased wholesale power from Duke and CP&L, were equally concerned that those utilities would not be able to supply enough power for the cities' citizens.

The municipalities were significant providers of electricity and had an obligation to serve their customers. In an effort to ensure an adequate, reliable and economic supply of electric power and energy to the citizens of the state, the NC voters approved a 1975 legislative amendment to the state constitution which authorized the municipalities to jointly build, finance, own and operate electric generation and transmission facilities with the IOUs. Fifty-one cities chose to form Power Agencies and issued electric revenue bonds to help finish construction of the plants. The Legislature, the State Treasurer, the North Carolina Utilities Commission, and the voters of North Carolina all approved the cities' actions to create the Power Agencies. At the time, demand for electricity was projected to increase at a rate high enough to allow the cities to pay off debt, service their electric systems and provide for other municipal services. Because the municipalities helped build the plants, the state of North Carolina has enjoyed a plentiful and reliable source of power to spur economic growth.

What is ElectriCities?

ElectriCities is a not-for-profit government service organization representing cities, towns and universities that own electric distribution systems. Today, ElectriCities represents more than 90 members in North Carolina, South Carolina and Virginia. Formed back in 1965 to protect the interests of Public Power customers, and to provide a unified voice to speak out in the North Carolina legislature, ElectriCities continues today to serve Public Power communities. ElectriCities provides customer service and safety training, emergency and technical assistance, communications, government affairs and legal services. Through consolidation of these services, members save their customers the expense of administering these functions locally. ElectriCities also provides management services to the state's two municipal Power Agencies: North Carolina Municipal Power Agency Number 1 (NCMPA1) and North Carolina Eastern Municipal Power Agency (NCEMPA). Most member cities have been in the electric business for 100 years or more. Originally the cities built small generators in their hometowns. In some cases, the municipalities set up their own systems when other power suppliers refused to serve these communities. As their population grew and their generators aged, the cities became wholesale purchasers of electricity from the state's IOUs. During the energy crisis of the mid-70s, the IOUs feared shortages and were unable to guarantee future power supply. The state needed additional power plants, but the IOUs were having difficulty raising the necessary capital for construction. After considering concerns about reliability, cost, and long-term supply of electricity, the North Carolina Legislature enacted legislation to enable cities to join together to form Municipal Power Agencies, paving the way for cities to enter the generation business. Fifty-one cities in North Carolina chose to form two Municipal Power Agencies and issued electric revenue bonds. Combined, the Power Agencies own portions of five nuclear and two coal-fired plants totaling more than 1450 MW of generation capacity.

Why was ElectriCities formed?

In 1965, the battle for territory between IOUs, electric cooperatives, and the cities intensified statewide. The result was the 1965 Electric Act, promising to resolve many of the disputes between the IOUs and co-ops. The 1965 Act, however, created new difficulties for municipal systems, which were left out of the legislation by restricting their right to serve customers in areas annexed in the future. ElectriCities was organized to provide the municipal systems a unified voice to speak out in the legislature against the bill. The group was unable to stop passage of the bill, but decided to form a permanent alliance to help Public Power become a stronger voice for its customers statewide. In 1983, at the request of the cities, the Legislature expanded this voluntary association with the passage of Chapter 159B of the North Carolina General Statutes allowing North Carolina's "electric cities" to form a joint municipal assistance agency to provide aid and assistance to municipalities in the construction, ownership, maintenance, expansion, and operation of their electric systems. Since then, ElectriCities has been a powerful force for Public Power in North Carolina, and now has grown to reach cities in Virginia and South Carolina. Based in Raleigh, ElectriCities' staff members watch legislative issues closely to ensure its members have a voice in any legislation that may affect electricity issues. ElectriCities members are currently preparing for future competition. They want to make sure Public Power helps shape any legislation which could restructure the electric utility industry.

What other services does ElectriCities provide?

With the strength of its membership, ElectriCities is able to provide consolidated technical, administrative, and management services to its members. By using services offered at group rates, member cities are able to maintain their electric systems and equipment better. Services including aerial device testing, infrared scanning and substation maintenance training cost significantly less through ElectriCities contracts than if the cities contracted the services themselves, demonstrating collective strength. ElectriCities schools and workshops keep utility personnel up-to-date on how to properly handle hazardous substances, customer service, utility credit and collections, load conservation marketing and other aspects of the business. Comparable schools elsewhere cost two to three times more. Training programs encourage safe work habits and reduce potential liability. Lineman training and municipal transformer schools teach member city employees step-by-step safety measures to use in their daily duties. Retail rate assistance helps municipalities establish effective rate schedules. Communications, legislative and legal services present a unified message for Public Power across the state. Through the Emergency Assistance program, cities help each other in times of disaster. For the electricity industry, the forces of Mother Nature present regular challenges, and can be particularly hard here in North Carolina. Despite the direct hits, municipal crews continue to beat the averages, restoring power to customers, while significant numbers of other utility customers remain in the dark.

How is ElectriCities funded?

ElectriCities is a not-for-profit organization that is financed through membership fees and dues, as well as through rate and service revenue and tuition from training programs and workshops. With a reorganization several years ago, a new status was created to allow for associate members, which include the South Carolina and Virginia cities and university systems.

Does ElectriCities provide power to its members?

ElectriCities is a service organization, not a power supplier. Fifty-one of its members receive their electricity from their participation in one of the state's two Power Agencies. Other members purchase power from investor-owned utilities such as Duke Power and Progress Energy or from other power suppliers like the cooperatives. ElectriCities provides management services to both Power Agencies, a sharing arrangement that prevents duplication in costs. Several ElectriCities members are known as satellites, since they buy their electricity from nearby larger cities that are Power Agency participants.

Calculation of the City of Rocky Mount's outstanding debt for ownership of 16.0260 % of the generating facilities of the total Eastern Municipal Power Agency

Projected:	Debt Outstanding After January 1 Payment	<u>Annual Debt Service Responsibility</u>		
		<u>Debt Principal</u>	<u>Debt Interest</u>	<u>Total Debt Service</u>
2006	446,313,683	18,986,002	25,201,366	44,187,368
2007	427,327,681	20,434,753	23,964,159	44,398,911
2008	406,892,928	21,536,540	22,545,056	44,081,596
2009	385,356,388	19,080,556	21,226,597	40,307,153
2010	366,275,833	21,070,985	20,109,425	41,180,410
2011	345,204,848	22,123,893	18,962,925	41,086,818
2012	323,080,955	19,194,340	17,708,249	36,902,589
2013	303,886,615	22,791,376	16,644,604	39,435,980
2014	281,095,239	23,504,533	15,399,223	38,903,756
2015	257,590,706	23,743,320	14,159,292	37,902,612
2016	233,847,386	22,478,068	12,934,745	35,412,812
2017	211,369,318	23,272,156	11,731,994	35,004,149
2018	188,097,162	25,108,736	10,332,283	35,441,018
2019	162,988,427	27,064,709	9,300,048	36,364,757
2020	135,923,718	28,483,010	7,896,491	36,379,501
2021	107,440,708	27,453,339	6,321,936	33,775,276
2022	79,987,369	28,019,057	4,664,367	32,683,424
2023	51,968,312	26,926,084	3,026,991	29,953,075
2024	25,042,228	12,328,001	1,480,963	13,808,963
2025	12,714,227	12,714,227	759,152	13,473,379
2026	(0)	0	0	0
		446,313,683	264,369,864	710,683,547